VZCZCXYZ0009
RR RUEHWEB

DE RUEHRB #0119/01 0371658
ZNR UUUUU ZZH
R 061658Z FEB 09
FM AMEMBASSY RABAT
TO RUEHC/SECSTATE WASHDC 9640
INFO RUCNMGH/MAGHREB COLLECTIVE
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS RABAT 000119

SIPDIS
SENSITIVE

DEPARTMENT PASS TO USTR FOR PAUL BURKHEAD

E.O. 12958: N/A
TAGS: ECON ETRD EFIN EAGR MO
SUBJECT: MOROCCO UNVEILS ANTI-CRISIS MEASURES BUT STILL FORSEES STRONG 2009 GROWTH

REF: A. RABAT 109
¶B. RABAT 39
¶C. CASABLANCA 14

This message is sensitive but unclassified. Please handle accordingly.

¶1. (SBU) Summary: In the first meeting of his strategy committee on the international economic crisis, Minister of Finance Salaheddine Mezouar on February 4 unveiled the government's initial plans to mitigate its impact on Morocco's manufacturers. On the table are measures to aid enterprises in difficulty by paying their social security contributions, making available short-term operational funding, and supporting exports both through export promotion and expanded export insurance. Companies in difficulty will also benefit on a "case-by-case" basis from other "transversal" measures. Even as Mezouar announced these measures, many of whose details remain to be worked out, Morocco's High Planning Commission (HPC) predicted that strong agricultural growth will more than counterbalance the emerging downturns in tourism, industry, and foreign investment. It forecast GDP growth of 6.7 percent in 2009, based on an expected increase in agricultural growth of 22.3 percent. He did add, however, that the crisis's impact will lead to a deterioration in Morocco's international position, with a growing current account deficit and declining international reserves. End Summary.

¶2. (U) Mezouar's Strategy Committee, which builds on the Study Group he announced last October, met for the first time on February 4th to review where Morocco stands as the international economic downturn deepens. Present were key economic ministers, the head of the Bank al-Maghrib, and key private sector leaders, including the heads of business and banking associations. The three key measures Mezouar outlined are designed to tackle the problems of Morocco's most vulnerable manufacturing sectors, and thereby answer their criticism (ref c) that government promises have yet to be transformed into real programs. (Note: Septel will address Morocco's emerging plans for the tourist sector. End Note.) Mezouar noted that many details remain to be worked out, but in broad outline they will include:

-- State financing of part of the social security contributions owed by companies in difficulty, on condition that the firms retain and do not lay off their employees (press reports already speak of 60-70,000 layoffs in the textile sector alone);

-- Provision of a State guarantee of between 50 and 65 percent of operational financing provided by banks to manufacturing companies, aimed at ensuring they retain access to sufficient liquidity to continue operating;

-- State support for exports, both through the direct export promotion measures contained in the 2009 budget, and through expansion of Morocco's government-supported export insurance, to help companies cope with the risk of default by their foreign clients and with lengthening payment delays.

¶3. (U) Initially, eligibility for these programs will be limited to companies in the auto, textile, and leather industries that have experienced at least a 20 percent drop in turnover from last year. In addition, other "transversal" measures will be implemented on a case-by-case basis. Among them, possible customs relief for companies that imported large quantities of inputs that they have not used because of the downturn in demand for their products.

¶4. (U) Shortly after Mezouar announced his plans, on February 5 the Moroccan government's chief economic forecaster unveiled new projections which underline the extent to which Morocco's vulnerabilities may be counterbalanced (at least on the growth side) by what is anticipated to be a bumper agricultural harvest. High Planning Commissioner Ahmed Lahlimi predicted that Morocco would register 6.7 percent growth this year (above the Ministry of Economy and Finance's own 5.8 percent forecast), with 22 percent agricultural growth more than offsetting a slowdown in non-agricultural sectors (down to 3.9 percent growth from 5 percent in 2008). Lahlimi predicted that agriculture would contribute 3.2 percent of the overall growth figure (up from 1.3 percent last year).

¶5. (U) While he also forecast declining inflation (down from 3.9 to 2 percent), all was not roses in HCP's forecast.

Lahlimi predicted that declines in tourism, remittances, foreign investment, and exports will compound Morocco's "structural" trade deficit and lead to deterioration in country's international position. The growing current account deficit, he predicted, will entrain a decline of 13 percent in Morocco's net foreign assets, leaving the country with an amount sufficient to cover less than 6 months of exports, down from 9 months as recently as 2007.

¶6. (SBU) Comment: One leading government-affiliated economist (and former Minister) told us earlier this week that while he is skeptical that government action can do much to counteract the business cycle, what it can do is provide the critical support that enables businesses to survive a downturn. In that way, he argued, Morocco can preserve its manufacturing base, and be ready to export again when market conditions improve. Clearly, Mezouar's plan shares that vision, while also reflecting concern that the emerging global downturn may be longer and deeper than government officials originally anticipated. End Comment.

Jackson